

**FLORIDA AGRICULTURAL AND
MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

FINANCIAL STATEMENTS

JUNE 30, 2021

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
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JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees,
Florida A&M University:

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Agricultural and Mechanical University Intercollegiate Athletics Program (the Program) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Program's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program, as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note (**Error! Reference source not found.** to the financial statements, the Program had a substantial deficit in net position as a result of numerous years of operating losses. In accordance with State Statute, athletic auxiliary services should be self-supporting entities. Our opinion is not modified with respect to this deficit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
September 21, 2022

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
 INTERCOLLEGIATE ATHLETICS DEPARTMENT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2021**

This section of the Florida Agricultural and Mechanical University Intercollegiate Athletics Program's (the Program) Financial Statements presents management's discussion of the Program's financial activity during the fiscal year ended June 30, 2021.

As required by Governmental Accounting Standards, the financial statements include three basic financial statements that provide information on the Program as a whole: the current Statement of Net Position; the current Statement of Revenues, Expenses and Changes in Fund Net Position; and the current Statement of Cash Flows.

OVERALL FINANCIAL HIGHLIGHTS

**Florida Agricultural and Mechanical University
 Intercollegiate Athletics Program
 Statements of Net Position
 June 30,**

	2021	2020
Total assets	\$ 532,294	\$ 479,817
Total liabilities	\$ 9,789,245	\$ 9,925,246
Total net position	\$ (9,256,951)	\$ (9,445,429)

Total fund net position increased to (\$9,256,951) from (\$9,445,429) representing an increase of \$(188,478) or approximately 2 percent from the prior year. Due to impacts surrounding COVID-19, certain budget cuts were made substantially decrease expenditures in order to absorb the decrease in revenues due to the lack of fall sports in FY2021. The net result was a positive increase to net position.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Continued)**

**Florida Agricultural and Mechanical University
Intercollegiate Athletics Program
Changes in Net Position
June 30,**

	2021	2020
Operating Revenues:		
Student athletic fees	\$ 4,188,283	\$ 4,017,247
Ticket revenues	-	2,228,689
Game guarantees	353,055	1,195,500
Out-of-state waivers	705,364	682,725
Conference and NCAA distributions	928,691	415,907
Sponsorship revenues	-	850,992
Contributions	370,594	828,485
Other operating revenues	151,678	494,938
Total Operating Revenues	6,697,665	10,714,483
Expenses:		
Salaries, wages and other personnel services	3,866,372	4,167,047
Scholarships	876,593	2,531,441
Travel	775,931	938,978
Out-of-state waivers	952,797	890,426
Contracted services	147,241	443,673
Other	1,225,389	2,257,846
Total Expenses	7,844,323	11,229,411
Operating loss	(1,146,658)	(514,928)
Nonoperating revenues	1,335,136	1,466,816
Increase in net position	188,478	951,888
Net position, beginning of year, as restated	(9,445,429)	(10,397,317)
Net position, end of year	\$ (9,256,951)	\$ (9,445,429)

For fiscal year 2021, expenses totaled approximately \$7.84 million, representing a decrease of about \$3.4 million from the 2020 fiscal year. The decrease is attributed primarily to a decrease in salaries, scholarships, and contracted services.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Continued)**

CONCLUSION

The Athletic Program is fully committed to its mission of building champions in the classroom, on the field and in life with academic integrity and excellence. This fiscal year the Department of Athletics experienced an increase in donations, student fees, and football gate receipts. The Department of Athletics strives to decrease expenses, increase revenue, increase efficiency and increase overall productivity which reduces the universities financial support to athletics thereby continuing to minimize athletics risk to the institution as defined in the 2013 Board of Governors audit findings.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Interim Director of Athletics Michael Smith, 1500 Wahnish Way, Tallahassee, Florida 32307.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS

Current Assets

Accounts receivable, net	\$ 532,294
Total current assets	\$ 532,294

LIABILITIES

Current liabilities

Due to other funds - deficit cash balance	\$ 262,091
Due to other auxiliary funds, current portion	384,594
Accounts payable	407,493
Compensated absences, current portion	27,286
Unearned revenue	257,674
Due to NCAA, current portion	50,000
Total current liabilities	1,389,138

Noncurrent liabilities

Due to other auxiliary funds, noncurrent portion	7,821,938
Compensated absences, less current portion	386,763
Due to NCAA, noncurrent portion	191,406
Total noncurrent liabilities	8,400,107

Total liabilities	\$ 9,789,245
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NET POSITION

Net position

Unrestricted	\$ (9,256,951)
Total net position	\$ (9,256,951)

The accompanying notes to financial statements
are an integral part of this statement.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Operating revenues	
Student athletic fees	\$ 4,188,283
Contributions	370,594
Out-of-state fee waivers	705,364
Game guarantee revenue	353,055
Conference and NCAA distributions	928,691
Other operating revenues	151,678
Total operating revenues	<u>6,697,665</u>
Operating expenses	
Salaries and wages	3,155,750
Other personnel services	710,622
Scholarships	876,593
Out-of-state fee waivers	952,797
Travel	775,931
Player supplies	274,874
Telephone	53,482
Utilities	14,422
Repairs and maintenance	309,132
Medical	22,753
Printing	21,058
Insurance	192,933
Athletic training table and meals	27,295
Contracted services	147,241
Buildings and grounds	38,667
Other operating expenses	270,773
Total operating expenses	<u>7,844,323</u>
Operating loss	<u>(1,146,658)</u>
Nonoperating revenues	
Direct institutional support - Title IX	1,335,136
Change in net position	<u>188,478</u>
Net position, beginning of year	(9,445,429)
Net position, end of year	<u><u>\$ (9,256,951)</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Cash flows from operating activities	
Receipts from student athletic fees	\$ 4,325,707
Receipts from ticket sales	160,729
Receipts from game guarantees	353,055
Receipts from sponsors, donors, conference and others	1,108,380
Payments to suppliers and others	(2,456,567)
Payments to employees	(3,855,096)
Payments for scholarships	(1,124,026)
Net cash used in operating activities	(1,487,818)
 Cash flows from noncapital financing activities	
Direct institutional support	1,335,136
 Net change in cash and cash equivalents	(152,682)
 Cash and cash equivalents, beginning of year	152,682
 Cash and cash equivalents, end of year	\$ -
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,146,658)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in accounts receivable	(205,159)
Decrease in accounts payable	(110,503)
Decrease in due to NCAA	(75,000)
Increase in compensated absences liability	11,276
Decrease in due to other funds	(122,503)
Increase in unearned revenue	160,729
Total adjustments	(341,160)
 Net cash used in operating activities	\$ (1,487,818)

The accompanying notes to financial statements
are an integral part of this statement.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Florida Agricultural and Mechanical University Intercollegiate Athletics Program (the Program), which effect significant elements of the accompanying basic financial statements.

(a) **Reporting entity**—The Program is an auxiliary enterprise of Florida Agricultural and Mechanical University (the University) located in Tallahassee, Florida and conducts various intercollegiate athletic programs for and on behalf of the University. The University is part of the State University System of Florida and is governed by the University’s Board of Trustees subject to the general supervision of the Florida Board of Governors. The President of the University is responsible for its management under the general direction and control of the Board of Trustees, and has ultimate responsibility for administering the policies.

The Program is an agency of the State of Florida and acts for and on behalf of the Florida Agricultural and Mechanical University Board of Trustees, a public body corporation of the State of Florida with all the powers to contract business pursuant to Section 1001.72, *Florida Statutes*.

The financial statements of the Program include those economic resources of the University that are used in the operations of the intercollegiate athletic programs. These statements do not purport to present the financial position or results of operations of the University as a whole.

The Program receives significant support from and transacts with certain direct support organizations of the University. These financial statements only recognize the balances or transactions to the extent they occur within the University’s auxiliary accounts. See Note 5 for details related to these transactions.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Program have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred, regardless of the timing of related cash flows.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities.

The Program distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses for the Program are those that result from the operation of the University’s intercollegiate athletic programs. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

(c) **Capital assets**—Property, plant and equipment are not capitalized by the Program since they do not represent financial resources available for expenses, but are items for which financial resources have been used. Title to and accountability for capital assets remains with the state of Florida.

(d) **Revenue**—The Program's major sources of revenue include football ticket receipts, institutional support, student athletic fees, contributions and game guarantees.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Income taxes**—The Program is an auxiliary enterprise of the University, which is a part of the State University System of Florida. Accordingly, substantially all of the income generated by the Program is exempt from federal and state income taxes. In addition, all tax returns are filed at the University level; therefore, no tax liability is reported at the Program level.

(f) **Unearned revenue**—Unearned revenue consists of advance sales of athletic event tickets.

(g) **Cash and cash equivalents**—The Program considers all short-term, highly liquid investments that are readily convertible to known amounts of cash with an original maturity of three months or less at the date of acquisition to be cash equivalents.

(h) **Athletic fees**—The University charges an athletics fee to students each semester based on credit hours enrolled. Athletic fees for semesters that cross fiscal years are recognized during the year in which the semester is predominantly conducted.

(i) **Sales tax on athletic event tickets**—In accordance with Chapter 1006, Section 71, *Florida Statutes*, the Program retains an amount equal to the sales taxes collected from ticket sales to athletic events for use in the support of women's athletic programs.

(j) **Accounts receivable**—Accounts receivable are stated at their net realizable value.

(k) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(l) **Advertising costs**—Advertising costs are recorded as expenses when incurred.

(m) **Pension and other postemployment benefits**—As the Program is a department of the University, any pension and other postemployment benefits liabilities are reported by the University. The University's Annual Financial Statements may be obtained from: <https://www.famu.edu/administration/division-of-finance-and-administration/office-of-the-controller/Financial-Audit-Reports.php>

(n) **Subsequent events**—The Program has evaluated subsequent events through September 21, 2022, the date the financial statements were available to be issued.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

(2) **Compensated Absences:**

Employees earn the right to be compensated during absences for vacation and illness pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unused leave balance.

Changes in compensated absences for the year ended June 30, 2021, were as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
\$ 402,773	\$ 188,558	\$ (177,282)	\$ 414,049	\$ 27,286

(3) **Related Parties:**

The Florida Agricultural and Mechanical University Foundation (FAMU Foundation) serve as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of Florida Agricultural and Mechanical University. The FAMU Foundation expends resources for, or on behalf of the Florida Agricultural and Mechanical University Intercollegiate Athletics Program. Transfers from the Foundation during the year ended June 30, 2021 were \$370,594, and were included in contributions on the Statement of Revenues, Expenses, and Changes in Net Position. Other expenses for, or on behalf of the Program do not flow through the accounts of the Program and these activities are not included in the records of the Program.

The Program has funds due to other auxiliary funds for the year ended June 30, 2021 totaling \$8,206,532. The amounts due to other auxiliary funds represents amounts borrowed from other auxiliary funds during previous years. See note 7 for a payment schedule related to this liability.

In addition, the Program received direct institutional support from the Florida Agricultural and Mechanical University for its Title IX program in the amount of \$1,335,136 during the year ended June 30, 2021.

(4) **Litigation:**

The Program is involved in pending legal action. At this time the FAMU Division of Legal Affairs is unable to provide an evaluation of the likelihood of an unfavorable or favorable outcome, or an estimate of the amount or range of potential loss, if any, to the University. Any settlement or award will be covered at least in part by the State's Risk Management Program. Therefore, no amount has been accrued in the financial statements.

In addition, the Program incurred penalties issued as a result of the NCAA Public Infractions Decision. The appeals process for these penalties was exhausted in March 2020. The final amount due to the NCAA is \$241,406 and is included in the Statement of Net Position as of June 30, 2021.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

(5) Risk Management Programs:

Pursuant to Section 1001.72(2), Florida Statutes, the Program participates in State self-insurance programs providing insurance coverage for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2018 fiscal year, after the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$40 million for wind, \$40 million for flood, and \$225 million for perils other than wind and flood; and losses exceeding those amounts were retained by the State. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care services through participation in the State's group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Department of Management Services, Division of State Group Insurance.

(6) Concentrations of Credit Risk:

(a) **Cash and cash equivalents**—Cash held in the agency account of the University is federally insured up to FDIC limits. Any cash held in the agency fund in excess of FDIC limits is secured by collateral, which is pledged to the State of Florida Public Deposits Trust Fund. There was no cash held by the Program at June 30, 2021.

(b) **Accounts receivable**—The Program has no policy requiring collateral or other security to support its accounts receivable. Accounts receivable consist of the following at June 30, 2021:

Student Fees	\$	210,030
Royalties and Conference		472,045
Total		682,075
Less: Allowance for doubtful accounts		(149,781)
Accounts receivable, net	\$	532,294

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

(7) Deficit Net Position/Long Term Liabilities:

As of June 30, 2021, the Program had a deficit in net position of \$9,256,951. The deficit is the result of numerous years of operating expenses exceeding revenues.

In accordance with Section 1011.47(1), Florida Statutes and Regulation 9.013 of the Board of Governors of the State University System of Florida, auxiliary enterprises, including athletics, are considered business activities of a university which require no support from the General Revenue Fund. Each institution may determine whether its auxiliary services will be self-supporting on an individual or collective basis, except for athletics, which shall be a self-supporting entity.

As a result of the deficit net position, the Program has established an interest-free repayment plan with the University for a term of 25 years. A portion of the deficit will be paid by other direct support organizations of the University. The remaining payment schedule is as follows:

<u>Periods</u>	<u>University Support from Direct Support Organization</u>	<u>Athletics Direct Repayment</u>	<u>Total</u>
2022	269,594	115,000	384,594
2023	269,594	125,000	394,594
2024	269,594	125,000	394,594
2025	269,594	125,000	394,594
2026	269,594	125,000	394,594
2027	269,594	125,000	394,594
2028	269,590	250,000	519,590
2029	-	250,000	250,000
2030	-	250,000	250,000
2031	-	250,000	250,000
2032	-	250,000	250,000
2033	-	300,000	300,000
2034	-	300,000	300,000
2035	-	300,000	300,000
2036	-	300,000	300,000
2037	-	300,000	300,000
2038	-	350,000	350,000
2039	-	350,000	350,000
2040	-	350,000	350,000
2041	-	350,000	350,000
2042	-	350,000	350,000
2043	-	350,000	350,000
2044	-	350,000	350,000
2045	-	379,378	379,378
Total	\$ 1,887,154	\$ 6,319,378	\$ 8,206,532

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

(7) **Deficit Net Position/Long Term Liabilities:** (Continued)

The table below summarizes long term liabilities for the years ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Due to Auxiliary	\$ 8,591,126	\$ -	\$ (384,594)	\$ 8,206,532	\$ 384,594
Due to NCAA	316,406	-	(75,000)	241,406	50,000
Compensated Absences	402,773	188,558	(177,282)	414,049	27,286
	<u>\$ 9,310,305</u>	<u>\$ 188,558</u>	<u>\$ (636,876)</u>	<u>\$ 8,861,987</u>	<u>\$ 461,880</u>

At June 30, 2021, the Program had a deficit net position of \$9,256,951. In accordance with Section 1011.47(1), Florida Statutes and Regulation 9.013 of the Board of Governors of the State University System of Florida, each institution may determine whether its auxiliary services will be self-supporting on an individual or collective basis, except for athletics, which shall be a self-supporting entity. Auxiliary services are integral activities of a university that furnish to its faculty, staff and students' goods and/or services that are necessary or desirable and support the educational endeavor of the institution and enhance its functioning. As reported in the Program's basic financial statements, the Program's operations have historically not produced sufficient positive cash flow, net revenues, and thus net position to be considered self-sustaining. While the Program generated positive net income for the year ending June 30, 2021, the Program still retained a large deficit in net position. To address this deficit and improve financial viability of the Program, management implemented a deficit reduction plan during the fiscal year ending June 30, 2019. The plan addresses eliminating the deficit, including specific actions to be taken and a time frame for completing the actions.

(8) **Commitments:**

On behalf of the Florida A & M University Board of Trustees, the University entered into employment agreements with its Head Football coach. Under the terms of these agreements, the University has agreed to guarantee certain aspects of the compensation packages as follows:

Year Ending June 30,	Guaranteed Amount
2022	<u>\$ 100,000</u>

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(9) Future Accounting Pronouncements:

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees,
Florida A&M University:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Agricultural and Mechanical University Intercollegiate Athletics Program (the Program) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated September 21, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described below.

Finding 2021-001: Financial Viability

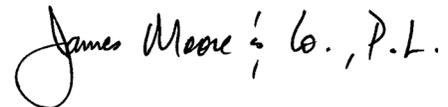
In accordance with Section 1011.47(1), Florida Statutes and Regulation 9.013 of the Board of Governors of the State University System of Florida, each institution may determine whether its auxiliary services will be self-supporting on an individual or collective basis, except for athletics, which shall be a self-supporting entity. Auxiliary services are integral activities of a university that furnish to its faculty, staff and students' goods and/or services that are necessary or desirable and support the educational endeavor of the institution and enhance its functioning. As reported in the Program's audited basic financial statements, the Program's operations have historically not produced sufficient positive cash flow, net revenues, and thus net position to be considered self-sustaining. While the Program generated positive net income for the year ending June 30, 2021, the Program still retained a large deficit in net position. To address this deficit and improve financial viability of the Program, management has presented a deficit reduction plan to the University's Board of Trustees. The plan addresses eliminating the deficit, including specific actions to be taken and a time frame for completing the actions.

The Program's Response to the Findings

The Program's responses to the findings identified in our audit are included in the body of this report. The Program's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tallahassee, Florida
September 21, 2022

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
MANAGEMENT'S RESPONSE
JUNE 30, 2021**

Finding 2021-001: Financial Viability

University Response:

The joint efforts of the Board of Governors and FAMU Board of Trustees (BOT), two oversight bodies, continue with the commitment that the President will ensure a balanced athletics budget and repayment of improper auxiliary monies used in support of our athletics program.

To ensure complete transparency of this issue, the results of the August 5, 2019, Carr, Riggs, & Ingram report were briefed to both the FAMU Board of Trustees (August 16, 2019) and the Board of Governors (October 30, 2019). During this time, the University implemented additional controls requiring increased levels of system approvals for auxiliary fund transfers to Athletics. These controls include approvals by a party independent of the financial function, as well as the University President, and notification to our Chief Audit Executive should another similar transfer occur.

Immediately following the release of the report, the University took further action by the University to rebuild both our financial and athletics management teams. As of January 2020, this rebuild included hiring a new Vice-President/CFO for Finance and Administration, Controller, and Budget Director. With the retirement of our Athletics Director in December 2019, we have brought on a new Vice President and Athletics Director (AD), and an entire athletics administration: which includes an Deputy AD, Senior Associate AD for Business & Finance, Associate AD for Operations, Associate AD for Compliance.

These teams are collectively working on this issue and have balanced the Athletic budget for a second year in a row. FAMU also will continue to follow approved plans to pay back auxiliary dollars improperly transferred to athletics.